CHAPTER 11.—BUDGET.

Responsibility 185
Preparation 186
Communication of Sanction . . 188
Expenditure not provided for . 190
Inevitable Payments .. . 193

Responsibility.

185. The responsibility for the preparation of the statement of estimated revenue and expenditure which is laid before the Legislature in each year, as well as any supplementary estimates or demands for excess grants, lies with the Finance Department. The material on which such estimates are based is obtained by that Department from the Departments or local Governments concerned. The Accountant General is, however, responsible for rendering such assistance in the preparation of the Budget estimates as may be settled in consultation with the Finance Department and is bound to supply any information in connection with the Budget estimates which he is in a position to furnish, and to offer any opinion or advice in connection therewith which may be required by the local Government.

Preparation.

186. No minute rules can be laid down for the collection of local details and for the estimates of revenue and charge, as each local Government has power to make such arrangements as may seem to it best ; only every head of an office will prepare a *complete* estimate including the pay, allowances and the contingent and other charges of his establishment ; thus the Treasury Officer may not be called on to prepare the estimate for the civil courts and all other offices in the district, nor may the local estimate be for the variable charges only.

1. What are called fixed establishments are not irrevocably fixed for all time, and should be brought under the formal review of heads of departments from time to time ; even when there is no thought or intention of making any change in establishments, it would still seem to be desirable that heads of departments should review the entire estimate of the requirements of their departments. Similarly, sanctions to recurring contingent expenditure should also be brought under the review of heads of departments from time to time.

186-A. The statements of details of provision for pay of both officers and establishment and of new items of expenditure, proposed for inclusion in the budget estimates should be prepared in Forms 19-A and 19-B respectively.

187. The following are the chief rules for the preparation of the Budget Estimate :—

(*a*) It should be for what is expected to be actually received or paid (under proper sanction) during the year, including the arrears of past years,—not for the demand or the liabilities falling due within the year. In no case are net receipts or net charges to be entered, but the gross transactions in full.

(*b*) For fixed charges, such as Pay of Establishment, the detailed estimate should show the full amount of the pay, including increments, which is likely to be drawn by men on duty during the year. Provision for those who are on deputation or absent in other ways and unlikely to return to the strength within the period of the budget should be

excluded. A lump deduction should then be made where experience shows that a saving may be anticipated for other reasons.

(*c*) The columns of numbers must be carefully checked ; the rate of pay should be stated, whenever possible in order to admit of verification with the column of charge. Variations in the columns of numbers as well as in amount should be explained. If they rest on an order of Government, the number and date should be quoted.

(*d*) For all fixed recoveries and fixed payments (other than establishment charges) the sanction fixing the amount should be quoted.

(*e*) Opposite every item of fluctuating charge, such as travelling allowances, contingent charges, official postage, and the like, a note in red ink should be made of the actual expenditure of each of the three years last past together with a brief explanation of any abnormal variation ; and in all cases where estimates for the coming year differ from those of the preceding year, full explanation must be given.

1. In the case of contract contingent charges, only the sanctioned amount of the contract grant should be shown.

2. The estimates of contingent charges should be checked by the controlling officer upon comparison of the expenditure of various offices.

(*f*) The estimate of receipts and varying charges should not be merely an arithmetical average of three years' figures. The average is a guide, but it should not be taken absolutely.

(*g*) No new charge may be included in the budget until sanctioned by competent authority, but a note may be made at the end of the budget (with explanation) of any fresh charge that is expected to be sanctioned and to come in course of payment during the year to which the budget relates. And under the special sanction of the Head of the Administration concerned (which must be communicated to the Accountant General), provision may be made in the Budget for such fresh charges as are likely to be formally sanctioned and paid during the year to which the Budget relates.

NOTE.—It not unfrequently happens that an establishment or some special allowance is sanctioned for an official year, and the charge for the last month of the year only becomes due when the new year has commenced, and must be taken against the grants of that year ; provision should be made accordingly.

Exception.—No proposal for expenditure may be included in a demand for a grant presented to the Legislature without the previous sanction of the Secretary of State in Council or of the Governor General in Council if such sanction is necessary under the rules. See also the Audit Resolution.

(*h*) Every department will provide for the whole receipt and charge with which it deals finally ; thus, when the Public Works Department collects irrigation revenue, it will estimate for it.

(*i*) The charges incurred in England by the High Commissioner and the Secretary of State on behalf of the Government of India are estimated for separately in their respective budgets, but in the Demands for votable grants and Appropriations for non-votable expenditure, provision for English expenditure relating to capital heads is made in the same Demand in which the corresponding Indian expenditure is included. In the case of Revenue heads (1) the expenditure on the purchase of stores for all departments and (2) other payments relating

to the following heads are included in the respective "Subject" or "Area" Demands or Appropriations :—

Opium, Irrigation, Posts and Telegraphs, Interest on ordinary debt, Interest on other obligations, Light-houses and Lightships, Ecclesiastical, Political, Frontier Watch and Ward, Civil Works, Territorial and Political pensions, Superannuation allowances and pensions, Defence expenditure, Extraordinary payments.

The provision for all other revenue expenditure in England is included in two separate Demands—one under the control of the Secretary of State for India and the other under the control of the High Commissioner for India, respectively.

Provision for gain or loss by exchange is made separately in the same Demand or Appropriation in which the relevant English expenditure appears. Freight charges paid in India and other expenses in connection with stores incurred at ports or elsewhere, are provided for in the Indian portion of the estimates for the Department concerned.

Exception.—Expenditure incurred in England under the following heads are passed on to India through the Remittance Account, the necessary budget provision being made in the Indian portion of the estimates (*vide* Article 150 of the Account Code).

(*i*) Payments on account of Commutation of pensions.

(*ii*) Payments for stores purchased for Government Commercial undertakings and Sterling Overseas Pay of officers employed in these undertakings.

(*iii*) Charges on account of cost of publications purchased in Europe and supplied to the Government of India.

Communication of Sanction.

188. After the grants have been voted by the Legislature a grant or portion of a grant allotted to each major head of account, together with any sum sanctioned by Government for non-votable expenditure under the same major head of account is communicated by the Finance Department to the department or the local Government concerned in the shape of lump sums known as primary units of appropriation. The department or the local Government concerned then makes arrangements for distributing and communicating the sanctioned funds among the controlling and disbursing officers. The Accountant General will render such assistance in the distribution of grants as may be settled in each case.

1. The distribution of grants is usually effected as under :—

(*i*) The whole or part of the appropriation for a primary unit may be placed at the disposal of a controlling or a disbursing officer or the primary unit may be broken up into a number of secondary units (each of which will cover either one or a number of detailed heads of account) and the appropriation for any of these, wholly or in part, may be placed at his disposal.

(*ii*) A controlling officer at whose disposal an appropriation for a primary or secondary unit has been placed, may out of it allot funds for expenditure on a specific item or on a group of items if so required under the financial rules of the Government.

NOTE.—Any distribution of appropriation among specific items or group of items which may be made by a disbursing officer for purposes of his control over the expenditure will not be recognised by the Accountant General and should not be intimated to him.

189. *Deleted.*

Expenditure not provided for.

190. Expenditure for which no provision has been made in the budget estimate of the current year should rarely, if ever, be incurred.

191. If on account of exceptional reasons expenditure, which is either not provided for in the budget estimates of the current year or is in excess of the budget provision, has to be incurred, and if the authority incurring the expenditure is not in a position to find funds by re-appropriation, application should be made for the provision of additional funds accompanied by a statement in Form 25 showing how the expenditure is proposed to be met. When such an application is sent the reason for considering it indispensably necessary that the outlay should be immediately incurred and not postponed to the next financial year should be stated. It should also be explained why the need for the expenditure was not foreseen in time for its inclusion in the budget estimates. It should be borne in mind that excesses over the grants voted by the Legislature require the sanction of that body.

When demands (original or supplementary) for appropriation of the necessary amounts for the expenditure are placed before the Legislature suitable provision should always be made for anticipated liabilities and the provision in Article 204-A of the Account Code that adjustment should not be made in the previous year's accounts in certain circumstances should not be used as a cloak to conceal the results of defective budgeting. The onus of proving that the disbursements could not have reasonably been anticipated should lie on the Controlling Officer.

192. In all applications for sanction to expenditure it should be distinctly stated whether provision for the proposed charge has or has not been made in the budget estimates of the year, and if it has not been made whether the funds can be found by re-appropriation.

Inevitable Payments.

193. The want of provision in the estimate does not operate to prevent payment of any sums really due by Government, nor the want of sanction to prevent record of any actual payment.

194. Money indisputably payable should never be left unpaid ; and money paid should under no circumstances be kept out of the accounts a day longer than is absolutely necessary. It is no economy to postpone inevitable payments, and it is very important to ascertain, liquidate, and record the payment of all actual obligations at the earliest possible date.